
By: **Delegate Proctor**

Introduced and read first time: January 31, 2001

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Home Builders - Performance Bonds**

3 FOR the purpose of requiring home builders to post a certain performance bond to
4 cover expenses incurred by the owner of a new home if the home builder fails to
5 complete the new home or if there is extreme delay in the completion of the new
6 home; requiring the Consumer Protection Division of the Office of the Attorney
7 General to adopt certain regulations; and generally relating to home builders.

8 BY repealing and reenacting, with amendments,
9 Article - Business Regulation
10 Section 4.5-302
11 Annotated Code of Maryland
12 (1998 Replacement Volume and 2000 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
14 MARYLAND, That the Laws of Maryland read as follows:

15 **Article - Business Regulation**

16 4.5-302.

17 (a) Each person that constructs new homes for sale to the public shall
18 maintain general liability insurance for at least \$100,000.

19 (b) If a home builder's registration has been revoked and the home builder
20 applies for a new registration, the Unit shall, in its discretion, approve the application
21 on the applicant's fulfillment of specified terms and conditions, including the posting
22 of a bond for the benefit of subcontractors, suppliers, and consumers, and the
23 payment of any judgments or awards due to any subcontractors, suppliers, and
24 consumers, for a period of 4 years from the date of the approval of registration, after
25 which the licensing bond shall expire and shall no longer be required to be
26 maintained by the registered home builder.

1 (C) (1) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A HOME
2 BUILDER SHALL POST A PERFORMANCE BOND FOR THE BENEFIT OF THE OWNER OF
3 A NEW HOME TO COVER ANY EXPENSES INCURRED BY THE OWNER IF:

4 (I) THE HOME BUILDER FAILS TO COMPLETE THE NEW HOME; OR

5 (II) THERE IS EXTREME DELAY IN THE COMPLETION OF THE NEW
6 HOME.

7 (2) THE DIVISION SHALL ADOPT REGULATIONS FOR THE
8 ADMINISTRATION OF THIS SUBSECTION.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 October 1, 2001.